



Health Care Reform Coordinating Council

HEALTH INSURANCE RATE REVIEW

Presentation by
Therese M. Goldsmith
Maryland Insurance Commissioner
September 13, 2011



Report on Health Insurance Rate Review and Information Provided to Consumers

On August 17, 2011, the MIA issued a report setting forth its plan of action with respect to an HHS grant-funded consultant's recommendations regarding:

- Enhancements to rate review process
- Increased transparency
- Opportunity for public comment



Phased Implementation of Enhanced Rate Review

Perform enhanced rate review for rate filings proposing a change in rates in the individual and small group market segments as follows:

- Sept. 1, 2011: Proposed rate increase of $\geq 10\%$ (“subject to review” per HHS)
- July 1, 2012: All rate filings in the individual market
- January 1, 2013: All rate filings in the small group market



Components of Enhanced Rate Review

The MIA must consider each of the following factors in determining whether a proposed change in rates is unreasonable:

1. Medical trend changes by major service category;
2. Utilization changes by major service category;
3. Cost-sharing changes by major service category;
4. Benefit changes;
5. Changes in enrollee risk profile;
6. Impact of over- or under-estimating medical trends in prior years;
7. Reserve needs;
8. Administrative costs related to programs that improve health care quality;
9. Other administrative costs;
10. Applicable taxes, licensing and regulatory fees;
11. Medical loss ratio; and
12. Insurer's surplus level relative to national standards.



Components of Enhanced Rate Review (cont'd)

Health plans must submit two justification forms developed by HHS:

- Preliminary Justification Part I must include:
 - ❑ Historical and projected claims experience;
 - ❑ Trend projections related to utilization and service or unit cost;
 - ❑ Any claims assumptions related to benefit changes;
 - ❑ Allocation of the overall rate increase to claims and non-claims costs;
 - ❑ Per enrollee per month allocation of current and projected premium; and
 - ❑ Three-year history of rate increases for the product associated with the rate increase.
- Preliminary Justification Part II must include a simple, brief narrative describing:
 - ❑ The data and assumptions used to develop the proposed rate increase, including the rating methodology;
 - ❑ The most significant factors causing the proposed increase; and
 - ❑ A brief description of the policy's overall experience, including historical and projected expenses and loss ratios.



Determination by MIA

- The MIA will use the information received to determine whether the proposed rate change is “unreasonable” as defined by HHS.
- “Unreasonable” means “excessive, unjustified, unfairly discriminatory, or otherwise unreasonable as provided under applicable state law.”



Other Rate Review Process Enhancements

The MIA is in the process of:

- Implementing a standard checklist for carriers when preparing individual and small group rate filings;
- Exploring the feasibility and desirability of using data from MHCC and HSCRC to develop benchmark trends; and
- Amending regulations to provide for advance notice of a premium change by insurers and nonprofit health service plans in the individual market at least 45 days prior to the change.



Increased Transparency and Opportunity for Public Comment

- The MIA will provide access from its Web site to Parts I and II of the Preliminary Justifications for proposed rate increases subject to review through a link to HHS's Web site.
- A dedicated email has been established and posted on the MIA website for consumers to submit comments regarding rate filings subject to enhanced review.



Cycle II Grant Application

MIA applied for a Premium Rate Review – Cycle II grant from HHS to fund:

- Additional actuarial staff (continued from Cycle I grant);
- Web and database development staff;
- Consulting assistance with developing trend assumption benchmarks using claims data from other State agencies;
- Contractual assistance with anticipated spike in rate filings in 2013.